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TAGS: [KS](#) [KN](#) [PGOV](#) [EAID](#) [PREL](#)  
SUBJECT: PRESIDENT LEE'S NORTH KOREA POLICY: ESTABLISHING  
NEW GROUND RULES

Classified By: A/DCM Joseph Yun. Reasons 1.4(b/d)

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SUMMARY  
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1. (C) Lee Myung-bak won the presidency on a conservative platform, emphasizing a new approach toward North Korea. Candidate Lee repeated over and over that ten years of Sunshine Policy had yielded nothing. During that time, the North, with newly acquired nuclear weapons, had become more dangerous; its people more oppressed than ever; and its economy in shambles. Two months into his presidency, and with the all-important National Assembly elections out of the way, President Lee's North Korea policy is beginning to take shape with the following elements:

-- Sunshine Policy: Lee Myung-bak defines Sunshine Policy as assisting North Korea without reciprocal demands. If that's the case, this policy is over, because Lee will put conditions on economic assistance. This is not to say that Kaesong Industrial Complex (KIC) and Mount Kumgang tourism will close; rather, they will be left in place, but with no expansion, at least until the reciprocity conditions are met.

-- Denuclearization: This is the most important reciprocity condition, that North Korea must make progress toward denuclearization for Seoul to re-engage Pyongyang on economic and infrastructural assistance.

-- Humanitarian Assistance: The Lee Administration has defined humanitarian assistance as disaster assistance. The huge annual flow of rice and fertilizer do not count, as they address "structural" deficits in North Korea. We expect limited fertilizer and food assistance to resume once the two sides sit down to talk.

-- Human Rights: Like most South Koreans of his generation, Lee relates well to the suffering endured by North Koreans. ROKG representatives in various domestic and international fora will condemn the abuse of human rights in North Korea. Similarly, the Lee Administration will be more sympathetic to the suffering of North Korean refugees in China and other third countries. END SUMMARY.

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END OF SUNSHINE POLICY  
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12. (C) President Lee Myung-bak, like a majority of the South Korean public, rejects the unconditional aid aspect of Sunshine Policy, as applied in practice. That doesn't mean he wants to throw the baby out with the bathwater, however. When former President Kim Dae-jung summarized Sunshine Policy in 2002, he said, "I proclaimed my Sunshine Policy and its three principles: first, we will not tolerate any armed provocation from the North; second, neither would we seek to harm the North or absorb it; and third, South and North Korea should reconcile and cooperate, and live in peaceful coexistence and exchanges." The South Korean public now fully accepts this live-and-let-live philosophy, which was also expressed in the 1992 Basic Agreement, and the vast majority approves of economic cooperation. President Lee's public remarks indicate that he does too. In March 26 comments to the staff of the Ministry of Unification (MOU), Lee said, "Both sides...must work to successfully reconcile differences, promote peace, and realize co-prosperity in both economies."

13. (C) However, Lee and his advisors have taken aim at Sunshine Policy's lack of reciprocity (which Kim Dae-jung's government initially envisaged as a basis for cooperation, before deciding that the South should show patience instead.) National Assembly member-elect Park Jin, who led the foreign policy side of Lee's transition team, told a talk-show audience in January that the Sunshine policy was a failure because it had assumed an "idealized" version of the DPRK, rather than taking a "balanced" approach that would include action-for-action reciprocity. The result was lack of reform in the North and a deterioration in the Peninsula's security situation. Vice Foreign Minister Kwon Jong-rak and Deputy Foreign Minister Lee Yong-jun have emphasized to us that Lee's approach to North Korea is practical, that he wants get

something in return for offering economic assistance, and that he is firm in his stance and willing to suffer a downturn in inter-Korean relations if the DPRK rejects this approach.

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DENUCEARIZATION A MUST  
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14. (C) Lee's key policy step so far is to put the need for North Korean denuclearization front and center, winning him no friends in the North. Is his March 26 remarks at MOU, Lee painted a picture of South-North relations "upgraded by not just one notch, but even two notches." But he quickly honed in on the importance of denuclearization as the "most important issue between South and North." Suggesting a stock taking of basic issues between the two Koreas, Lee said that the key was for both to abide by the 1991 "Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation between the South and the North," and the related agreement to denuclearize the Korean Peninsula. Resolving the nuclear issue would benefit the DPRK, he argued, because the nuclear issue causes problems on the Peninsula, stands in the way of unification, and prevents full-fledged economic cooperation. Denuclearization was the route to economic assistance, which would in turn "lay the groundwork for (North Korea's) economic self-reliance."

15. (C) Apart from supporting the Six-Party Talks process, Lee's insistence on denuclearization comes from the sense that the North Korea's nuclear capability poses a direct threat to the South, whereas the rest of its military capability really does not, Blue House Assistant Secretary to the President for Planning and Coordination La Won-chang told us. He added, however, that North Korean progress on denuclearization, rather than achieving full dismantlement, might be enough for the Lee Administration to begin discussing economic assistance -- the government was maintaining flexibility on the issue. In this context, La expressed great interest in expected progress on North Korea's nuclear declaration.

16. (C) In his March 26 remarks at MOU, Lee offered an

expansive vision of cooperation after DPRK denuclearization. The new ROK Government "aims at making Korea an advanced, world-class nation," and it would be a shame, he implied, to leave North Korea out as "the worst economy on the globe." The ROK had already reached a per capita income level of USD 20,000 per year and was headed for USD 30,000, Lee said, alluding to his offer to raise the DPRK's per capita income to USD 3,000 (from about USD 1,000 now) -- after denuclearization.

17. (C) Putting denuclearization front and center is a change from President Roh Moo-hyun's Peace and Prosperity Policy, that economic cooperation would improve relations enough that the DPRK would see the wisdom of denuclearization, and that the Six-Party Talks process had the problem well in hand in any case. Instead, Lee squarely points at the elephant in the room.

18. (C) The new approach is reflected in the Ministry of Unification's (MOU) revised approach to North Korea. MOU's Strategic Goal for 2008 sounds much like that of the Roh Administration: "Advancement of mutually-beneficial and co-prosperous inter-Korean relations," but, in keeping with Lee's emphasis on denuclearization, the supporting planks have changed. The first aspect is to "create a new peace regime," starting with denuclearization. That is a shift from the Roh Administration's proposal, which it clung to until the end of its term, to declare a new peace regime on the Peninsula that would give the DPRK the sense of security it needed to denuclearize. The second aspect of the MOU's program, is to "form an inter-Korean economic community," after denuclearization, based on Lee's "Opening and 3000" proposal to raise North Koreans' per capita income and invest in infrastructure.

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UNTIL DENUCLEARIZATION, LIMITED ASSISTANCE  
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19. (C) Until denuclearization progress, inter-Korean

relations are likely to go into a state of suspended animation: the Kaesong Industrial Complex (KIC), Kaesong City tourism, and Mt. Kumgang tourism will continue, and the South will offer limited humanitarian assistance, but there will be no bold new initiatives. Preserving the main elements of the status quo is in line with public opinion. Conservative commentators, such as Korea University's Yoo Ho-yeol, who chafed at the lack of conditionality under the Roh Moo-Hyun Administration, have told us that Lee should be careful to preserve the core of the existing engagement framework, which has contributed to stability.

110. (C) Indications are that the DPRK too is trying hard to preserve the core of the existing cooperation framework, because it has been careful to leave KIC and Mt. Kumgang operating, even after expressing displeasure by expelling ROKG officials from both locations.

111. (C) In his March 26 comments, Lee hinted at plans to reach out to North Korean authorities, saying that "inter-Korean negotiations" in various areas should be expected to begin after the April 9 National Assembly elections, and that the two sides had to "define the South-North relationship until nuclear abandonment." He didn't spell out his expectations for that relationship in detail, but stressed humanitarian assistance, based on concern for the North Korean people, "One thing is clear: We should love the North Korean people as we love the South Korean people."

112. (C) Lee also made clear that the Kaesong Industrial Complex and Mt. Kumgang tourism project -- the main economic cooperation projects resulting from Sunshine Policy, both operated by the Hyundai Asan company -- "must go on and the South and North should work together" to make these "mutually beneficial" projects succeed. But he included an allusion to the nuclear issue by noting that for "genuine inter-Korean

business to take place...many of the inter-Korean issues need to be ironed out."

¶13. (C) Hinting at flexibility in this interim stage before DPRK denuclearization, Lee said that his government "would approach South-North consultations with an open mind." He also included references to his concern for the North Korean people, a frequent theme of his comments on North Korea, calling on MOU to work to give the North Korean people "at least the minimum level of basic rights to pursue happiness," and to pursue unification "while respecting the will of the 70 million people of the combined Koreas."

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HUMAN RIGHTS IS BACK ON THE AGENDA  
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¶14. (C) President Lee has also changed the dynamics of the South-North relationship by speaking out about his concern for the human rights of North Koreans, and by having officials in his government raise the issue. The ROKG supported a North Korea human rights resolution at the UN Human Rights Commission in early March, and the National Human Rights Commission, feckless until now, is planning to investigate human rights conditions facing defectors.

¶15. (C) Lee talks about North Korean human rights out of what his advisors say is deep personal conviction, also related to his Christian faith. Human rights are important as universal values, he has said, and the issue is not meant to be a stick used to beat the North. In his March 26 MOU comments, Lee also made a connection, "although not as a condition" between humanitarian cooperation with the North and progress on prisoners of war, abductees, and separated families. In other words, Lee seemed to be saying, the North needs to respect the human rights of POWs, abductees and separated families. This is quite a shift from the Roh Administration, when there was a loose linkage between fertilizer assistance and separated family reunions, but POWs and abductees were rarely even mentioned, at the North's request.

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ROK PUBLIC SUPPORT  
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¶16. (SBU) North Korea may not like the medicine Lee is offering, but the ROK public supports his shift from Sunshine Policy's unconditional assistance approach. A Korea Institute of National Unification survey of 1,008 randomly selected South Koreans before Lee's inauguration showed that 82 percent believed that the ROKG's North Korea policy needed fundamental change. In addition, 74 percent agreed that denuclearization and economic cooperation should be linked; 81 percent agreed that the principle of reciprocity should be applied; and 42 percent believed the nuclear issue should be the main focus of South-North relations, compared to 26 percent who favored economic cooperation and 19 percent who favored humanitarian issues.

¶17. (SBU) An April 2 RealMeter-CBS poll showed that 72 percent of potential voters thought that North Korea's harsh rhetoric would have no effect on the April 9 National Assembly elections, and the elections occurred with almost no mention of North Korea. An April 2 editorial cartoon in the Chosun Ilbo depicted a North Korean military officer calling Kim Jong-il from unperturbed Seoul to say, "Chairman, I'm going crazy. They're not paying us one bit of attention."

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COMMENT: BIGGER ROLE FOR THE SOUTH  
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¶18. (C) The initial ROKG and DPRK statements have shown the two sides talking past each other. Lee asserted that the foundation for beginning a South-North discussion was the 1991 Basic Agreement, and the associated Korean Peninsula denuclearization agreement. The North, in its scalding April

1 Rodong Sinmun attack on Lee as a "charlatan," said that Lee was shutting the door on inter-Korean relations, "which have developed favorably since the publication of the June 15 joint declaration," which does not mention denuclearization. This pattern -- you say 1991 Basic Agreement, I say 2000 Joint Declaration -- has become shorthand for stressing (ROKG) or ignoring (DPRK) the nuclear issue, and also relates to issues such as recognition of the Northern Limit Line and the continuing presence of U.S. forces in the ROK.

¶19. (C) The DPRK's reaction to Lee's call for the North to open up has also been neuralgic. The April 1 DPRK article said that Lee's call to open the DPRK regime "seeks to tarnish the dignified system in the DPRK." An April 8 Rodong Sinmun commentary reiterates this reaction, saying that Lee's call for the North to open is "traitorous" because it would amount to an effort to change the North to put it under the South's "liberal democratic system."

¶20. (C) There are signs that the Lee government is quietly taking aim at the "dignified" DPRK system, seeking to change the ground rules for discourse before discourse begins and assert the ROK's role. Lee would like that to be the lead role, because the financing burden is borne by the South, hence Lee's frequent use of "business-style" dialogue to characterize what he has in mind. This would be a significant change, because as Na told us, Lee, like most South Koreans, believes that the North has "always had the lead in the dance."

STANTON